

Board Governance

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My Experiences



- Appointee of 15 member elected State Board of Education
- Actually selected from a different 11 member committee
- 6 State Superintendents
- 3 State Treasurers
- 2 SITLA Directors
- 7 member Advisory Committee
- 7 member SITLA Board
- 5 member SITFO Board
- Created a new governance structure with SITFO after literature review and consultation with many executives
- Innumerable audit committees, committees, nominating committees, task forces, etc. etc.

5 Initial Points

1. Some believe board approval should be “perfunctory” and the responsibilities and power should be with staff
2. Others believe there is a vast ontological chasm between the powerful board and the little “staff” who do no more than what they are told
3. I believe neither is healthy
4. I believe, legally, almost all of the power is with the board to draw the line wherever you decide to draw it
5. This presentation summarizes my thoughts on drawing the line well

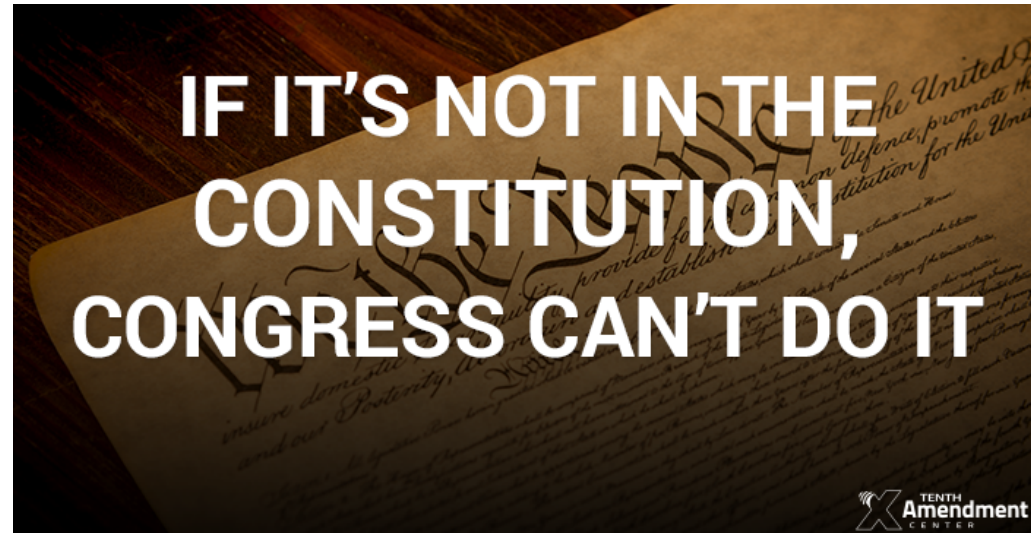
You Are Not a Board of Enumerated Powers

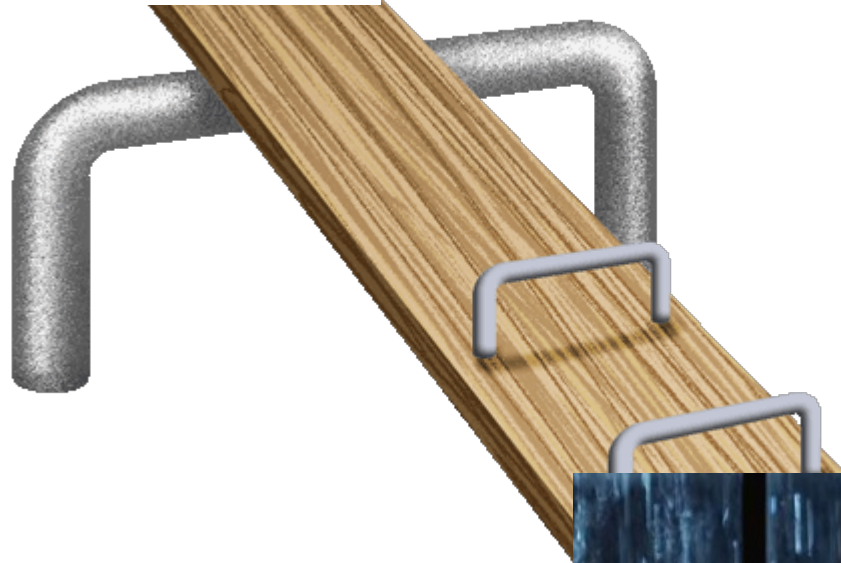
Sometimes the view has been expressed that the board has 3 statutory jobs

Policy

Adjudication

Budget





Basics of Governance and Corporate Performance

BOARD

- Represents shareholders who risked their capital and come first
- Brings broader expertise
- Creates some independence from political pressures
- Independence, resources, experience, accurate info

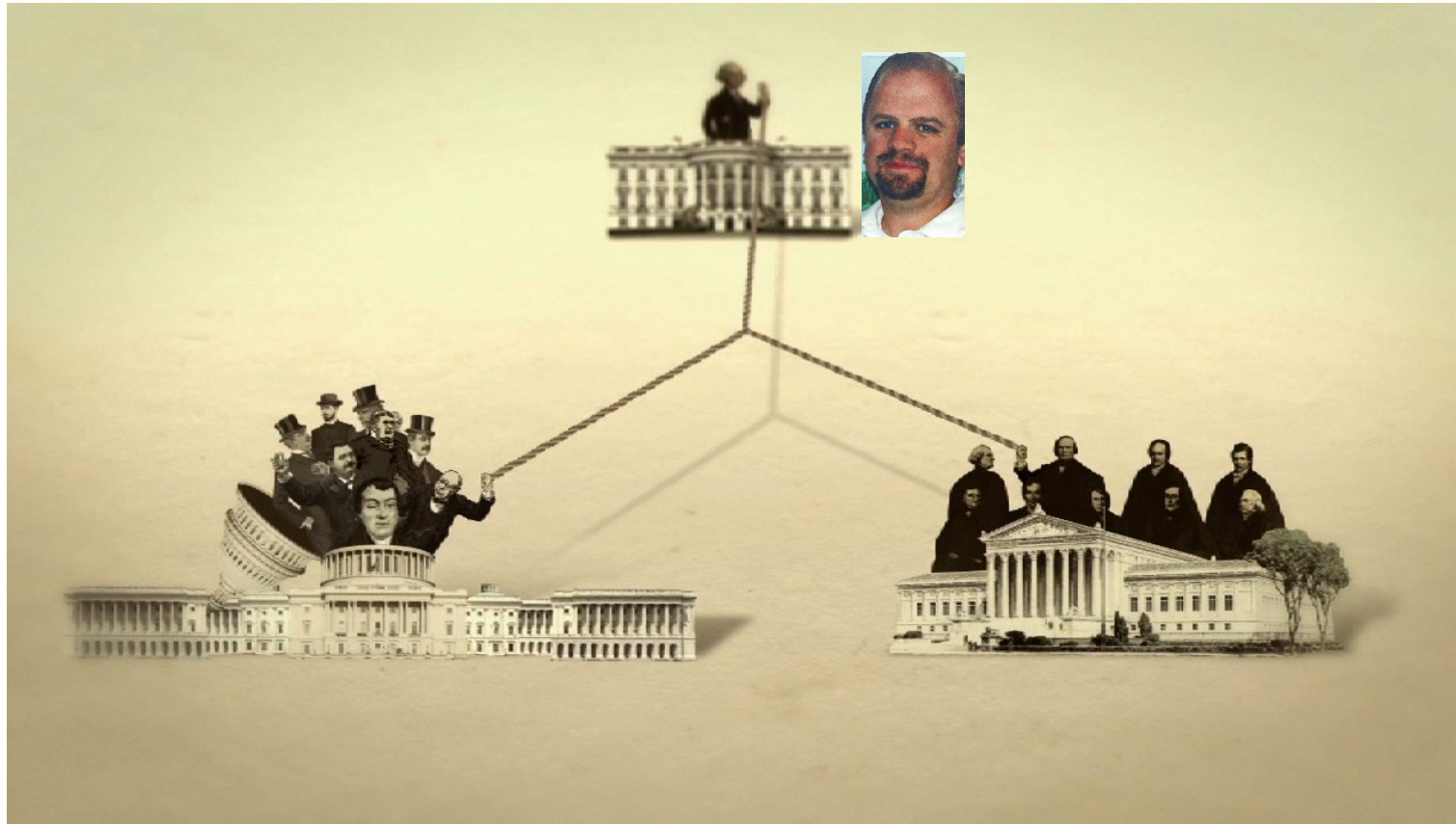
ADMINISTRATION

- Should have narrower skill sets
- Has information advantage
- Does most of the stakeholder analysis and interaction
 - Employees
 - Customers
 - Suppliers
 - Creditors
 - Unions

To be a corporation
means you separate
1- ownership,
2- control, and
3- management

Separation of Powers

The Utah School
Trust separates
1- ownership,
2- control, and
3- management



Checks and Balances

Agency Problems: ie, principal/agent

Growth for Growth's sake

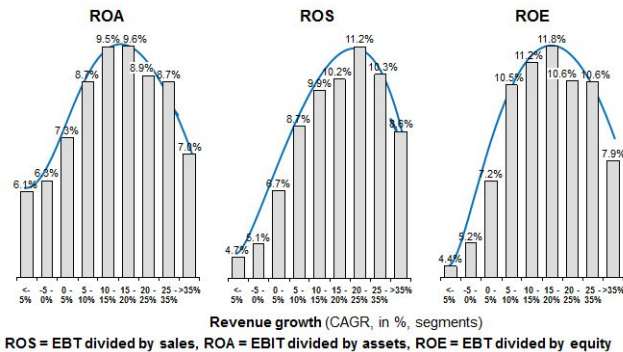
Information Manipulation
(Supt “no one else talks to my board”)

Empire building

Rigor, skeptical objectivity

Revenue growth and profitability

1997 – 2009

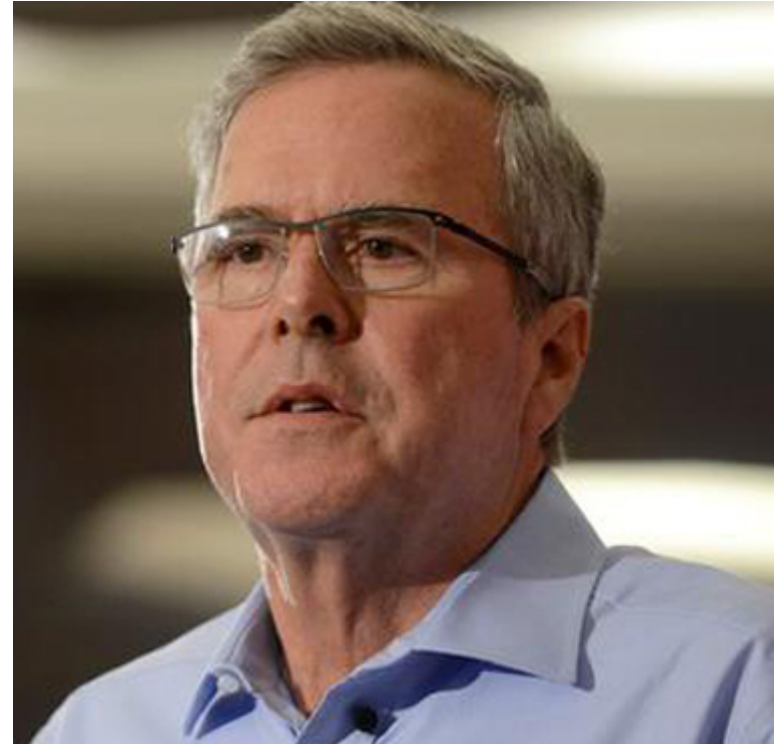


and



Most Common Breakdown is Boards Not Being Boards

- 01-04 Enron, Worldcom, Global Crossing, etc
- 04-07 erosion in due diligence
- SEC “Boards need to be an independent force, not a passive affiliate of management”
- Management Temptations Include
 - Feathering Own Nest through travel, perks
 - Social philanthropy (Milton Friedman)



5 Common Missteps

1. The Lone Ranger board member
2. Personality Driven Shifts Through Time, Expectations Aren't Explicit
3. The Ring Through the Nose, aka, the Rubber Stamp Board
4. Staffs see Boards as something that they need to manage
5. Boards see no difference, that we are all the same thing



3 Decisions Boards Always Avoid, but Can't

1. Is disruptive behavior rewarded or punished?
2. If we vote 14-1, can that 1 go fight the 14 on the Hill?
3. Do we want our fights to be staff fights writ large?

“The highest performing companies have extremely contentious boards that regard dissent as an obligation and that treat no subject as non-discussable.”

- Jeffrey Sonnenfeld, Yale School of Management



he delights in antitheses to what is current; it is as if he were swimming against the stream for its own sake; and he makes a sport of being provocative. Even if one does not agree with him, one may yet value this aspect of Nietzsche's thought—if only on the grounds suggested by John Stuart Mill in his essay *On Liberty*: "if there are any persons who contest a received opinion, . . . let us thank them for it, open our minds to listen to them, and rejoice that there is some one to do for us what we otherwise ought, if we have any regard for either the certainty or the vitality of our convictions, to do with much greater labor for ourselves" 1

Nietzsche's manner, however, is apt to obscure his basic intentions. His opposition to the Sermon on the Mount is more obvious than what he would put in its place: "If you have an enemy, love him, evil with good, for that would put

10 Specific Recommendations for SITLA

1. Board chair conducts orientation for new board member
2. Annual board self-assessment
3. Board Member Exit Interview in closed session last meeting
4. A board member chairs each board committee
5. Draft 1 page list of what a committee chair assignment entails
6. Create Finance Committee (more from me in March on this)
7. Annual conflict of interest policy review and sign
8. Meet annually with recommendations for State Auditor, separate from staff
9. Other Items for Discussion on all agendas
10. Future Agenda Items on all agendas

Questions?

Who wants #change? Who wants to... | TY
@PrincipledSell

